

# HEALTH INSURANCE REGULATION: VARYING STATE REQUIREMENTS AFFECT COST OF INSURANCE

• Mr. JEFFORDS. Mr. President, with the recent passage of the Health Insurance Portability and Accountability Act of 1996, and the possible enactment of several health benefit provisions, I'd like to draw my colleagues' attention to a recently completed GAO report that surveys similar State health insurance regulations and their impact on the cost of health insurance.

I asked the GAO to examine the added costs associated with: First, premium taxes and other assessments; second, mandated health benefits; third, financial solvency standards; and fourth, State health insurance reforms affecting small employers. The report examines the impact of these requirements on the cost of insured health plans compared with the cost of self-funded health plans subject to the Employee Retirement Income Security Act of 1974 [ERISA].

Although States regulate health insurance, the study indicates that State regulation does not directly affect 4 out of 10 people. ERISA preempts States from directly regulating employer provision of health plans, but it permits States to regulate health insurers. Of the 114 million Americans with health coverage offered through a private employer in 1993, about 60 percent participated in insured health plans that are subject to State insurance regulation. However, for plans covering the remaining 40 percent, about 44 million people in 1993, the employer chose to self-fund and retain some financial risk for its health plan.

Because self-funded health plans may not be deemed to be insurance, ERISA preempts them from State insurance regulation and premium taxation. Although ERISA includes fiduciary standards to protect employee benefit plan participants and beneficiaries from plan mismanagement, in other areas, such as solvency standards, no Federal requirements comparable to State requirements for health insurers exist for self-funded health plans.

Most States mandate that insurance policies include certain benefits, such as mammography screening and mental health services, which raises claims costs to the extent that the benefits would not otherwise have been provided. In general, the report indicates that the costs are higher in States with more mandated benefits and in States that mandate more costly benefits.

State financial solvency standards have limited potential effect on costs because many insurers already exceed the State minimum requirements. In addition, due to their recent enactment, the cost implications of small employer health insurance reforms, such as guaranteed issue, portability and rate restrictions, remain unclear.

Mr. President, I feel this report provides useful information regarding the benefits associated with State health insurance regulation and their impact

on the cost of health insurance. Further, it points out the lack of similar requirements for self-insured plans and that more and more small employers are self-funding their health plans. As we continue our efforts to ensure that all Americans have access to health care services, this report will help us better understand the experiences of the States and build upon them.

I ask that the executive summary of the report be printed in the RECORD.

The summary follows:

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### RESULTS IN BRIEF

State health insurance regulation imposes requirements on health plans offered by insurers that employers' self-funded health plans do not have. These requirements benefit consumers; they also add costs to insured health plans. The extent to which these requirements increase insured health plans' costs compared with self-funded health plans' costs varies by state. The cost impact depends on the nature and scope of each state's regulations and on health plans' typical operating practices.

State premium taxes and other assessments are the most direct and easily quantifiable cost that insured health plans face. Premium taxes increase costs to commercial health insurers by about 2 percent in most states. Other assessments not only tend to be smaller than the premium tax but can often be deducted from premium taxes. These include assessments for guaranty funds that pay the claims of insolvent plans and high-risk pools that provide coverage for individuals unable to get private coverage because of preexisting conditions.

Most states mandate that insurance policies cover certain benefits and types of providers, such as mammography screening, mental health services, and chiropractors, which raises claims costs to the extent that such benefits would not otherwise have been covered. The cost effect varies due to differences in state laws and employer practices. For example, Virginia's mandated benefits accounted for about 12 percent of claims costs, according to a recent study. Earlier studies estimated that mandated benefits represented 22 percent of claims in Maryland and 5 percent in Iowa. In general, such cost estimates are higher in states with more mandated benefits and in states that mandate more costly benefits, such as mental health services and substance abuse treatment. These cost estimates represent the potential costs of mandated benefits to a health plan that does not voluntarily offer these benefits. Because most self-funded plans offer many of the mandated benefits, their additional claims cost—were they required to comply—would not be as high as the studies' estimates. If required to comply with state mandates, however, self-funded plans would lose flexibility in choosing what benefits to offer and in offering a single, uniform health plan across states.

State financial solvency standards have limited potential effect on costs because many insurers exceed the state minimum requirements and typically perform tasks like those associated with the state financial reporting requirements. Most insurers maintain higher levels of capital and surplus than the minimum state requirements, indicating that the effect of the capital and surplus requirements on health insurance costs is generally minimal. Although states require financial information and actuarial reports that in some cases differ from the insurers'

general business practices, insurance executives indicated that the added administrative cost of preparing these documents was marginal and that the additional information was also valuable to the insurer.

The cost implications of small employer health insurance reforms, such as limits on preexisting condition exclusions recently adopted in many states, remain unclear. The cost information to date is mostly anecdotal and provides an incomplete view of these reforms' effects. Moreover, the rapid changes in health care markets, such as the continued growth and evolution of managed care, make it difficult to isolate the independent effect of the reforms.

## SONS OF ITALY FOUNDATION EIGHTH ANNUAL NATIONAL EDU- CATION AND LEADERSHIP AWARDS GALA

• Mr. LAUTENBERG. Mr. President, I want to congratulate the Sons of Italy Foundation [SIF] for its eighth annual National Education and Leadership Awards [NELA] gala, which was held May 2, 1996, at the Andrew W. Mellon Auditorium, in Washington, DC. I had the opportunity of attending this worthy and inspirational event, and I have had the honor of serving as chairman of the NELA gala in the past. This worthy and inspirational annual event has gained wide recognition during the past few years in Congress, the corporate community, educational institutions, and others in the philanthropic community throughout the Nation for its promotion of educational excellence and professional achievement. I commend the SIF for the encouragement it provides to some of our Nation's most outstanding young scholars and future leaders.

At this year's event, the SIF presented scholarships to the winners of the 1996 National Leadership Grant Competition, an annual merit-based national scholarship competition. In addition, the SIF presented the 1996 NELA's to Northwest Airlines Corp. Cochairman Alfred Checchi and Pennsylvania State University football coach Joseph V. Paterno. In selecting Messrs. Checchi and Paterno for this honor and in awarding a merit-based academic scholarship in each of their names, the SIF has recognized two of the most outstanding role models in the Italian-American community.

The lives of these two men of enormous achievement and strong character serve as reminders of why our forebears traveled to this country and why today's immigrants are so eager to make their homes in our great country, where opportunity abounds for those willing to learn and work hard. The achievements of these two men speak highly of the importance of strong family support, educational achievement, and professional integrity. These are values on which all of us agree, regardless of our racial, ethnic, or religious backgrounds. These common values, aptly expressed through the NELA gala, are what bind us as Americans. Most appropriately, the scholarships that the SIF awarded

in the names of Mr. Checchi and Mr. Paterno will support the dreams and aspirations of outstanding young students. There is no more important work for us to perform, no greater gift we can give than to support our youth.

The long and distinguished record of generous support for education earned by the SIF and its parent organization, the Order Sons of Italy in America, should be recognized and praised. These generous contributions in support of the future of our Nation are made largely by the modest and heartfelt donations of the hundreds of thousands of OSIA members throughout our United States. During the past three decades, OSIA and the SIF have distributed more than \$21 million in academic scholarships. The leaders and members of OSIA and the SIF have set an excellent example for other nonprofit and fraternal organizations in their unselfish support of the young people of our Nation.

I commend Mr. Paul S. Polo, national president of OSIA and chairman of the SIF; Mr. Valentino Ciullo, president of the SIF; Ms. Jo-Anne Gauger, chairwoman of OSIA's National Education Committee; Mr. Joseph E. Antonini, 1996 NELA gala chairman; and Dr. Philip R. Piccigallo, national executive director of the OSIA and the SIF, for their leadership roles in the 1996 NELA gala and the National Leadership Grant Competition.

Listed below are the names of the 12 winners of the 1996 National Leadership Grant Competition. These young men and women represent our Nation's highest level of academic achievement and leadership potential. I offer congratulations and heartfelt wishes for future success to: Mr. Michael Sollazzo, Henry Salvatori Scholarship; Mr. Andrea Mazzariello, Alfred Checchi Scholarship; Mr. Brian Iammartino, Joseph V. Paterno Scholarship; Ms. Jillian Catalanotti, Dr. Vincenzo Sellaro Scholarship; Mr. Todd Builione, Carlone Family/Peter B. Gay Scholarship; Mr. Ben Jamieson, Hon. Frank J. Montemuro Jr. Scholarship; Mr. Anthony Draye, Joseph E. Antonini Scholarship; Ms. Stephanie Di Vito, Hon. Silvio O. Conte Scholarship; Ms. Anastasia Ferrante, Lou Carnesecca Scholarship; Mr. Federico Rossi, Dr. Anthony S. Fauci Scholarship; Mr. Corey Ciocchetti, Pearl Tubiolo Scholarship; and Mr. William Karazsia, OSIA-John Cabot University Scholarship and the Pietro Secchia Scholarship.●

#### TRIBUTE TO SENATOR DAVID PRYOR

● Mr. PRESSLER. Mr. President, DAVID PRYOR is a good friend of mine. Over the years, I have had the privilege of getting to know David and his wife Barbara quite well. I have attended several events he has sponsored in Texarkana, AR, to raise needed funds for charitable organizations. I even have traveled to Little Rock to speak at colleges.

Mr. President, DAVID PRYOR is a legendary figure in this body and I have followed his career with great interest and admiration. I recall that he first began his public service in Washington as a Congressional page. Some time later he returned to Washington when he was elected to serve as a United States Congressman. In fact, for a while we served together in the House of Representatives. Aside from this association, I also have had the privilege of working closely with him on the Senate Finance Committee and the Senate Committee on Aging.

As many of my colleagues know, DAVID PRYOR is one of the President's best and closest friends. This friendship has enabled him to go directly to the President on critical matters confronting the Senate. That is an unusual and serious responsibility for a Senator to have, and DAVID PRYOR has acted commendably.

Mr. President, I personally will miss DAVID PRYOR's friendship. But, I also will miss his intelligence and counsel tremendously. ●

#### SALUTE TO TENNESSEE OLYMPIAN JENNIFER AZZI

● Mr. FRIST. Mr. President, I rise today to commend a young Tennessean, Miss Jennifer Azzi, of Oak Ridge, on her performance with the gold-medal winning U.S. Olympic women's basketball team, also known as the Real Dream Team.

Jennifer has been active in the sport of basketball for the past decade, first, at Oak Ridge High School, then at Stanford University, and now the Olympics. Jennifer's commitment not only to the sport, but to continuing to improve her skills and play is the type of determination that makes our athletes excel and bring home the gold, time and time again.

She reminds us all that with determination, commitment and a little help, we can all be winners. At a recent party in her honor, Jennifer Azzi said that "With success, comes responsibility." Modestly, she tells us that many people have helped her get to where she is and now she wants to help others do the same. Following the Olympics, she began teaching at a basketball camp where she is helping today's youth build their skills and sportsmanship.

Jennifer's triumph on the court is remarkable, but more important is the virtue of her skills and determination off the court. She is a true Olympian, competing for honor for herself and her country. The Olympics in Atlanta this year were a success for all Americans. But Jennifer's victory was a bright, shining moment in a bright, shining basketball career for this young woman from east Tennessee. Looking at her record, I believe she has an even brighter future ahead.

Mr. President, Jennifer's victory reminds us of what the Olympics can be for each of us—a competition between countries without casualties, only

peace; a contest of perseverance and love and the heart to win it all. Jennifer Azzi has all these qualities, and she has our respect and admiration too.●

#### TRIBUTE TO GUY YOUNG, A NEW HAMPSHIRE HERO

● Mr. SMITH. Mr. President, I rise today to pay tribute to Guy A. Young, a New Hampshire letter carrier, for his selfless and heroic acts performed while attempting to rescue a nine-month-old baby from a life threatening traffic accident. On September 25, 1996, Guy Young of Allenstown, NH, will be presented with the National Association of Letter Carriers' Regional Hero of the Year Award for his courageous act.

Unfortunately, when faced with danger, many people turn the other way or, even worse, watch the accident, merely becoming bystanders. Guy Young is not one of those people. Guy is a letter carrier for the U.S. Postal Service and serves the residents of Allenstown, NH. He was on his usual route one morning recently when he noticed a major traffic accident had occurred at the intersection in front of him. Without thinking twice, Guy rushed to the scene, where he encountered the driver, a frantic mother, screaming because her baby was still in the overturned van. Guy immediately climbed over shards of glass, through a broken window, and searched for the infant. Not until he heard the baby's horrific scream did he look up and see the baby dangling upside down, still strapped into his car seat. Realizing that the van could burst into flames at any second, Guy desperately struggled with the baby's seat belt until he finally forced it free. He then passed the 9-month-old infant out the window to the safety of his mother's arms. Once the emergency vehicles arrived and assumed control of the situation, Guy returned to his postal truck and continued delivering mail to the residents of Allenstown.

Guy is an example of a truly honorable New Hampshire citizen. Not only did he risk personal injury to help a baby boy in danger, but he acted promptly and courageously. He is indeed a hero.

The National Association of Letter Carriers [NALC] honors a national hero, three regional heroes, a national humanitarian, and a branch service awardee each year. Those awards are presented to individuals who risk their lives for others, or who make personal contributions for a worthy cause. The awards also give the NALC an opportunity to express its gratitude and appreciation to those letter carriers whose meritorious service has earned themselves honor. Guy undoubtedly deserves this special recognition for his heroic act.

Mr. President, people who respond, as Guy did, in dangerous and life threatening situations are indeed brave and